

**UNITED STATES OF AMERICA WRESTLING
ASSOCIATION, INC.**

Financial Statements

For the Year Ended August 31, 2007

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
United States of America Wrestling
Association, Inc.

We have audited the accompanying statement of financial position of United States of America Wrestling Association, Inc., d/b/a USA Wrestling, as of August 31, 2007 and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Association's August 31, 2006 financial statements and, in our report dated October 13, 2006, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United States of America Wrestling Association, Inc., d/b/a USA Wrestling, as of August 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules of program services and of supporting services for the year ended August 31, 2007 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Waugh & Goodwin, LLP

October 31, 2007

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Statement of Financial Position

August 31, 2007

(With Comparative Amounts for 2006)

ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,897,776	\$ 2,046,042
Short-term investments	2,466,392	1,826,270
Accounts receivable, net	493,182	521,227
Short-term pledges receivable, net	317,083	202,149
Inventory	41,824	40,721
Prepaid expenses	<u>350,048</u>	<u>56,819</u>
Total current assets	5,566,305	4,693,228
PROPERTY AND EQUIPMENT:		
Furniture and equipment	1,138,560	1,089,437
Building and improvements	362,442	362,801
Land	71,416	71,416
Less accumulated depreciation	<u>(1,209,955)</u>	<u>(1,115,987)</u>
Property and equipment, net	362,463	407,667
LONG-TERM INVESTMENTS	1,176,121	1,030,065
LONG-TERM PLEDGES RECEIVABLE, net	<u>394,276</u>	<u>625,872</u>
TOTAL ASSETS	<u>\$ 7,499,165</u>	<u>\$ 6,756,832</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 649,414	\$ 526,727
Deferred revenue	377,367	219,409
Current portion of capital lease obligation	<u>10,477</u>	<u>10,042</u>
Total current liabilities	1,037,258	756,178
LONG-TERM LIABILITIES:		
Capital lease obligation	<u>15,638</u>	<u>26,115</u>
TOTAL LIABILITIES	1,052,896	782,293
NET ASSETS:		
Unrestricted	574,040	491,307
Unrestricted - Board designated	1,578,525	1,339,962
Temporarily restricted	<u>4,293,704</u>	<u>4,143,270</u>
Total net assets	<u>6,446,269</u>	<u>5,974,539</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,499,165</u>	<u>\$ 6,756,832</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Statement of Activities and Changes in Net Assets
For the Year Ended August 31, 2007
(With Comparative Totals for 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Totals</u>	<u>2006 Totals</u>
SUPPORT AND REVENUE:				
Membership	\$ 3,793,217	\$	\$ 3,793,217	\$ 3,569,555
USOC grants	1,353,009		1,353,009	1,386,993
Events, camps and clinics	767,554		767,554	663,963
Other	415,328		415,328	378,834
Newspaper and internet income	337,433		337,433	344,985
Grants and contributions	191,922	12,500	204,422	296,790
Corporate sponsorship	421,058		421,058	291,434
Investment income	136,698	196,134	332,832	252,006
Royalties	150,000		150,000	156,684
Sports broadcasting	28,000		28,000	35,000
Satisfied program restrictions	<u>58,200</u>	<u>(58,200)</u>		
Total support and revenue	7,652,419	150,434	7,802,853	7,376,244
EXPENSES:				
Program services:				
National Team	3,248,306		3,248,306	3,068,194
Membership	1,996,253		1,996,253	1,967,881
Events, camps and clinics	1,159,413		1,159,413	1,082,008
Promotion & sports broadcasting	<u>340,457</u>		<u>340,457</u>	<u>305,513</u>
Total program services	6,744,429		6,744,429	6,423,596
Supporting services:				
General and administrative	<u>586,694</u>		<u>586,694</u>	<u>574,543</u>
Total supporting services	<u>586,694</u>		<u>586,694</u>	<u>574,543</u>
Total expenses	<u>7,331,123</u>		<u>7,331,123</u>	<u>6,998,139</u>
CHANGE IN NET ASSETS	321,296	150,434	471,730	378,105
NET ASSETS, beginning of year	<u>1,831,269</u>	<u>4,143,270</u>	<u>5,974,539</u>	<u>5,596,434</u>
NET ASSETS, end of year	<u>\$ 2,152,565</u>	<u>\$ 4,293,704</u>	<u>\$ 6,446,269</u>	<u>\$ 5,974,539</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Statement of Cash Flows

For the Year Ended August 31, 2007

(With Comparative Amounts for 2006)

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 471,730	\$ 378,105
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	93,968	110,004
Restricted investment income	(196,134)	(90,485)
Restricted contributions	(12,500)	(59,136)
Change in assets and liabilities:		
Decrease in accounts receivable	28,046	(84,894)
Increase in inventory	(1,103)	(22,835)
Increase in prepaid expenses	(293,228)	60,074
Increase in accounts payable and accrued liabilities	122,687	41,693
Increase in deferred revenue	<u>157,958</u>	<u>(191,559)</u>
Total adjustments	<u>(100,306)</u>	<u>(237,138)</u>
Net cash provided by operating activities	371,424	140,967
CASH FLOWS FROM INVESTING ACTIVITIES:		
Short-term investments, net	(640,122)	(592,124)
Acquisition of property and equipment	(48,764)	(61,171)
Purchases of long-term investments	<u>(146,057)</u>	<u>(291,810)</u>
Net cash used by investing activities	(834,943)	(945,105)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(10,043)	(10,043)
Restricted investment income	196,134	90,485
Collection of pledges restricted for capital campaign	116,662	484,811
Restricted contributions	<u>12,500</u>	<u>59,136</u>
Net cash provided by financing activities	<u>315,253</u>	<u>624,389</u>
NET DECREASE IN CASH	(148,266)	(179,749)
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,046,042</u>	<u>2,225,791</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,897,776</u>	<u>\$ 2,046,042</u>

See Notes to Financial Statements

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Notes to Financial Statements
For the Year Ended August 31, 2007

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United States of America Wrestling Association, Inc. (the Association) is the national governing body for amateur wrestling, making it responsible for the promotion and development of the sport in the United States.

The Association qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income tax. The Association is not a private foundation.

Prior-Year Comparisons

The financial statements include certain prior-year summarized comparative information in total but not by net asset or functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended August 31, 2006, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of the Association's checking and money market accounts. The Association had approximately \$1,891,000 on deposit at one commercial bank. In the unlikely event of a bank failure, the Association might only be able to recover the amounts insured.

Inventory

Inventory is stated at the lower of cost (first-in, first out method) or market and consists of uniforms and publications.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounts Receivable

The Association has recorded accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. An allowance for doubtful accounts of \$1,498 was recorded at August 31, 2007.

Depreciation

Furniture and equipment are recorded at cost. Depreciation is recorded using the straight-line method over the estimated useful lives for each asset as follows:

	<u>Years</u>
Furniture and equipment	3-7
Building	40

Depreciation expense for the years ended August 31, 2007 and 2006 was \$93,968 and \$110,004, respectively, and includes depreciation on equipment financed with capital leases.

Supplemental Cash Flows Disclosure

Cash flows from operations include interest payments for the years ended August 31, 2007 and 2006 of \$1,343 and \$1,760, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Notes to Financial Statements

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contributions

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfied program restrictions. However, support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received.

Contributed Services

The Association receives a substantial amount of donated services in carrying out the Association's programs. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

B. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at August 31, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Capital campaign	\$ 4,137,736	\$ 3,998,582
Multiple medal incentive program	<u>155,968</u>	<u>144,688</u>
	<u>\$ 4,293,704</u>	<u>\$ 4,143,270</u>

The capital campaign donations are restricted for the national team and at-risk youth programs. The multiple medal incentive donations are to be used to offer wrestlers who have won multiple medals an incentive to stay involved in the sport.

Notes to Financial Statements

B. TEMPORARILY RESTRICTED NET ASSETS - Continued

In a prior year, a liability for estimated future capital campaign expenses of \$200,000 was recorded. During the year ended August 31, 2007 and 2006, this liability was reduced by actual expenses incurred in the amounts of \$2,182 and \$204, respectively.

Net assets are released from donor restriction by incurring expenses that satisfy the restricted purpose. During the years ended August 31, 2007 and 2006, net assets were released from restrictions as follows:

	<u>2007</u>	<u>2006</u>
Multiple medal incentive program	\$ 8,000	\$ 336
Camp scholarship program	50,200	73,800
Donor restricted programs		24,042
Capital campaign expenses		88
	<u>\$ 58,200</u>	<u>\$ 98,266</u>

C. BOARD DESIGNATED NET ASSETS

In prior years, the Board of Directors established separate cash and investment accounts for the purpose of creating an operating reserve and a reserve for future increases in insurance costs.

The Board designated net assets amount to the following at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Operating reserve	\$ 1,313,993	\$ 1,226,093
Insurance reserve	<u>264,532</u>	<u>113,869</u>
	<u>\$ 1,578,525</u>	<u>\$ 1,339,962</u>

Any use of the operating reserve requires approval by a two-thirds majority vote of the Board of Directors.

D. PLEDGES RECEIVABLE

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the Association. Pledges which will not be received in the next year have been discounted using an estimated rate of 3%. Short-term pledges receivable are reflected net of an allowance for doubtful accounts of \$22,000.

Notes to Financial Statements

D. PLEDGES RECEIVABLE - Continued

During the years ended August 31, 2007 and 2006, the Association collected \$112,662 and \$538,218, respectively, of pledges which had been recognized as support in previous years.

Total unconditional promises to give were as follows at August 31, 2007:

Pledges receivable in less than one year	\$ 339,083
Less allowance for doubtful accounts	<u>(22,000)</u>
Short-term pledges receivable	<u>\$ 317,083</u>
Pledges receivable in future years	\$ 461,919
Less discount to net present value	<u>(67,643)</u>
Long-term pledges receivable	<u>\$ 394,276</u>

During the year ended August 31, 2002, two donors agreed to allow the Association to borrow against their pledged amounts to the capital campaign in order to pay off the long-term debt. During the years ended August 31, 2007 and 2006, a portion of this amount was repaid to the capital campaign.

E. INVESTMENTS

Short-term investments consist of the following at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
U.S. Treasury bills	\$ 1,869,690	\$ 1,258,601
Money funds	428,794	410,687
Government bonds	<u>167,908</u>	<u>156,982</u>
	<u>\$ 2,466,392</u>	<u>\$ 1,826,270</u>

At August 31, 2007 and 2006, long-term investments are carried at market value and consist of a \$1,176,121 and \$1,030,065 investment with the United States Olympic Foundation (USOF). The USOF Investment consists of units in a pooled portfolio managed by the USOF. At August 31, 2007, the USOF portfolio consisted of the following types of securities:

Domestic equities	40.54%
International equities	19.75
Alternative investments	16.60
Domestic bonds	16.13
Cash & cash equivalents	<u>6.98</u>
	<u>100.00%</u>

Notes to Financial Statements

E. INVESTMENTS - Continued

Investment income from short-term and long-term investments consists of the following at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 195,384	\$ 202,946
Realized gains on securities	105,438	54,536
Unrealized gains (losses) on securities	<u>32,010</u>	<u>(5,476)</u>
	<u>\$ 332,832</u>	<u>\$ 252,006</u>

F. DEFERRED REVENUE

Deferred revenue consists of the following at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
USOC grants	\$ 109,003	\$ 80,965
Sponsorship	127,427	82,463
Advertising income	11,177	27,504
Tour & participant revenue	70,350	28,477
Night of Champions	50,100	
Membership	<u>9,310</u>	
	<u>\$ 377,367</u>	<u>\$ 219,409</u>

G. CAPITAL LEASE OBLIGATION

The Association leases three copiers under a capital lease agreement. The terms of the lease require monthly payments of \$949, including interest at 4.25%.

Future scheduled lease payments are as follows:

2008	\$ 11,385
2009	11,385
2010	<u>4,743</u>
	27,513
Less amount representing interest	<u>(1,398)</u>
Principal portion of capital lease obligation	<u>\$ 26,115</u>

Accordingly, the assets have been capitalized and have the following book value at August 31, 2007:

Capitalized cost	\$ 49,326
Accumulated depreciation	<u>(45,217)</u>
	<u>\$ 4,109</u>

This depreciation is included in the total depreciation reflected in Note A.

Notes to Financial Statements

H. RELATED PARTY TRANSACTIONS

During the years ended August 31, 2007 and 2006, the United States Olympic Committee (USOC) provided grants to the Association under the following categories:

	<u>2007</u>	<u>2006</u>
NGB funding	\$ 1,287,877	\$ 1,337,194
Value in kind	55,963	31,642
International relations grant	9,169	991
Coaching development		9,166
World University Games		8,000
	<u>\$ 1,353,009</u>	<u>\$ 1,386,993</u>

The USOC also paid stipends of \$346,000 directly to athletes in each of the years ended August 31, 2007 and 2006.

The Association is economically dependent upon grants from the USOC in order to maintain its programs at current levels.

I. PENSION PLAN

The Association has a tax sheltered annuity pension plan that covers substantially all of its employees. The plan allows employer and employee contributions. During the years ended August 31, 2007 and 2006, pension expense for employer contributions amounted to \$101,490 and \$97,470, respectively.

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING
Schedule of Program Services
For the Year Ended August 31, 2007

	National Team	Membership	Events, Camps and Clinics	Promotion & Sports Broadcasting	Total
Accident insurance	\$	\$ 441,149	\$	\$	\$ 441,149
Apparel		7,094	26,559		33,653
Athlete assistance	370,682				370,682
Bad debt expense	1,157	2,091	518	638	4,404
Bank charges & fees	478	231	214	264	1,187
Communications	13,422	7,386	9,423	7,819	38,050
Depreciation & amortization	22,602	10,912	24,939	13,903	72,356
Dues & subscriptions	824	3,938	370	455	5,587
Event expenses			5,512		5,512
FILA & international relations			4,840		4,840
Gifts & awards	765	9,076	114,118		123,959
Hospitality & protocol	6,655	4,134	16,383	2,275	29,447
Insurance	2,045	21,793	917	1,128	25,883
Internet/bracketing			7,100		7,100
Liability insurance		333,403			333,403
Occupancy	3,989	1,926	1,788	2,201	9,904
Office activities	3,998	1,930	1,792	2,206	9,926
Other expenses	54,297	13,959	8,483	1,733	78,472
Other professional fees	2,610	1,260	1,170	1,440	6,480
Outside services & honoraria	264,344	15,285	32,866	13,487	325,982
Postage & shipping	7,956	177,493	16,192	4,942	206,583
Printing	4,660	9,785	9,436	3,582	27,463
Production costs		265,971	624	47,919	314,514
Professional development	201	97	6,251	606	7,155
Promotions & publicity	240	15,987	8,922	11,643	36,792
Recruiting	1,142				1,142
Salaries, benefits & payroll taxes	1,208,215	457,270	586,071	167,836	2,419,392
Site costs	600	5,509	48,618		54,727
Sponsor & employee relations	78,326			34,575	112,901
State association expense		66,253			66,253
Supplies & equipment	87,972	34,683	29,947	5,206	157,808
Trainers			13,267		13,267
Training camps	65,901				65,901
Travel & lodging	989,826	87,408	175,868	16,599	1,269,701
Visas & FILA stamps	55,399	230	7,225		62,854
	<u>\$ 3,248,306</u>	<u>\$ 1,996,253</u>	<u>\$ 1,159,413</u>	<u>\$ 340,457</u>	<u>\$ 6,744,429</u>

UNITED STATES OF AMERICA WRESTLING ASSOCIATION, INC.
d/b/a USA WRESTLING

Schedule of Supporting Services
For the Year Ended August 31, 2007

	National Office	Board of Directors & Committees	Total
Bad debt expense	\$ 1,116	\$	\$ 1,116
Bank & credit card fees	12,190		12,190
Communications	11,880	3,080	14,960
Depreciation & amortization	21,612		21,612
Dues & subscriptions	796		796
Employee recruitment	2,618		2,618
FILA & international relations	8,298		8,298
Gifts & awards		1,162	1,162
Insurance	1,974	11,963	13,937
Interest	1,343		1,343
Legal & accounting fees	35,845		35,845
Maintenance & repair	18,030		18,030
Office activities	3,860		3,860
Other expenses	7,026	1,651	8,677
Other professional fees	2,520		2,520
Outside services	18,002		18,002
Postage & shipping	6,465	2,076	8,541
Printing	3,123	216	3,339
Promotions, hospitality & protocol	16,152	1,369	17,521
Rent & utilities	25,506		25,506
Salaries, benefits & payroll taxes	295,363		295,363
Supplies	5,905		5,905
Travel & lodging	30,677	34,876	65,553
	<u>\$ 530,301</u>	<u>\$ 56,393</u>	<u>\$ 586,694</u>